Leveraging Anchor Institutions for Local Job Creation and Wealth Building

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Introduction

Anchor institutions (often referred to as "eds and meds") are place-based enterprises, firmly rooted in their locales. In addition to universities and hospitals, anchors may include cultural institutions (such as museums), health care facilities (such as nursing homes), and municipal governments. Typically, anchors tend to be nonprofit corporations. Because they are rooted in place (unlike for-profit corporations that may relocate for a variety of reasons, such as lower labor costs, more subsidies, or fewer environmental regulations), anchors have, at least in principle, an economic self-interest in helping ensure that the communities in which they are based are safe, vibrant, and healthy.

Over the past decade a great deal of momentum has been built around engaging anchor institutions in local community and economic development. It is now widely recognized that place-based anchors are important economic engines in many cities and regions, including their role as significant employers. For example, a 1999 Brookings Institution report found that in the 20 largest U.S. cities, nonprofit universities and hospitals accounted for 35 percent of the workforce employed by the top 10 private sector employers (Harkavy and Zuckerman 1999).

Nationwide, universities employ over two million full-time workers and another million part-time workers. In 2006 alone, the nation's colleges and universities purchased over $373 billion in goods and services—or more than 2 percent of the nation's gross domestic product – and their endowment investments exceeded $411 billion before the stock market bubble and, even post-bubble, remain well above $300 billion (NCES 2009, Gravelle 2008: 3, NACUBO and Commonfund 2010). Hospitals have an even greater economic impact; for example, their annual purchasing now exceeds $750 billion (CMS 2011) and the total number of hospital employees in 2009 exceeded 5.4 million (AHA 2011). Despite the prominence of for-profit hospitals, roughly 86 percent of hospital beds are either in nonprofit (70 percent) or publicly owned hospitals (16 percent) (AANHC 2008).

The potential for anchor institutions to leverage this purchasing power in order to generate local jobs is substantial. The University of Pennsylvania example is illustrative: In fiscal year 2008 alone, Penn purchased approximately $89.6 million (approximately 11 percent of its total purchase order spending) from West Philadelphia suppliers. When Penn began its effort in 1986, its local spending was only $1.3 million. Determining economic impact is an inexact science, but given that Penn has shifted more than $85 million of its spending to West Philadelphia, a very conservative estimate would suggest that minimally Penn's effort has generated 160 additional local jobs and $5 million more in local wages than if old spending patterns had stayed in place (Harkavy et al. 2009: 159).

A more concerted effort to leverage anchor institution purchasing could have a much greater impact. Convention would suggest that most of the economic impact comes not from new activity, but from transfer of jobs from other regions and countries where the purchasing formerly took place. Although true in some instances, such a view vastly understates the creative process unleashed in implementing such anchor purchasing strategies, which often result in the development of new lines of business rather than mere replacement of existing production. An anchor institution local purchasing policy also could result in a more efficient spatial distribution of goods and services, because of the shift of jobs from low-unemployment to high-unemployment areas, thereby better tapping into existing human capital, increasing output, and creating social benefits. In short, combining the direct jobs from focused procurement with their multiplier effects could sustain a very significant portion of a target area's economic activity.

For example, a study of northeast Ohio food spending (which totaled roughly $15 billion) found that a shift of 25 percent of food production to local production within a 16-county Northeast Ohio region, "could create 27,664 new jobs, providing work for about one in eight unemployed residents. It could increase annual regional output by $4.2 billion and expand state and local tax collections by $126 million" (Masi et al. 2010: quote on page ii; see also: 63-68). These figures do not account for jobs lost outside of the region or even the possible disruption of employment by firms *within the region* that depend on non-local supply chains. At the same time, the above figures may *underestimate* local economic gains. Localization in one sector, for example, may lead to spillover economic benefits in other sectors. Furthermore, study authors note: "The multipliers of each sector are drawn from national, state, and regional aggregates of all businesses, local and non-local. If some chain businesses were replaced by local ones—a likely eventuality if the region embraced a comprehensive plan for food localization—the economic benefits would be much higher" (Masi et al. 210: 75-76, quote on page 75).

In northeast Ohio, institutional buyers such as schools, universities, hospitals, and nursing homes combined make more than 9 percent of total food purchases (Masi et al. 2010: 20). In other words, even if supermarket and restaurant buyers in Northeast Ohio failed to shift *any* of their purchasing, a shift of 25 percent of anchor institution food purchases alone would create over 2,500 gross new jobs, increase regional output by nearly $400 million, and expand state and local tax collections by nearly $12 million. Additionally, anchor institutions, because of their scale and visibility, often prod others into action. Indeed, the northeast Ohio study authors cited precisely this demonstration effect in describing the “25% shift” goal of their study: “Locally, institutions such as Oberlin College, which now purchases 30-40% of its food locally, have demonstrated that a shift of this magnitude is possible” (Masi et al. 2010: 49).

Despite increased efforts in recent years, anchor institutions remain a largely untapped resource for local job creation and equitable economic development. As detailed below, the Democracy Collaborative itself has been involved in this work, partnering with the Cleveland Foundation and others to leverage anchor institution purchasing to develop a network of employee-owned cooperatives in some of Cleveland’s poorest neighborhoods. It is the thesis of this paper that properly focused and leveraged, anchor institution procurement, investment, and hiring can generate a significant and beneficial local economic impact, far exceeding what is currently achieved. What is required is a much deeper level of institutional engagement in which anchors commit themselves to consciously apply their place-based economic power, in combination with their human and intellectual resources, to better the long-term welfare of the places in which they reside, including for low-income residents of urban areas.

The Anchor Strategy, Past and Present

The idea that universities play a vital economic role as anchor institutions is not new. Indeed, this link was made explicit in 1862 when Congress passed the Morrill Act, establishing a system of land-grant colleges by allocating federal land to the states to support the establishment of public universities in each state. As James Collier of Virginia Tech notes, while the Morrill Act certainly served to expand access to university education, its “primary goal was to solidify the American economic infrastructure in anticipation of the Civil War’s outcome.” Senator Justin Smith Morrill (R-VT) himself, in calling upon Congress to pass the Land-Grant Act, argued that land-grant colleges not only would provide education for the “sons of toil,” but would also speed growth in agriculture, “the foundation of all present and future prosperity” (Collier 2002: 183, Dubb and Howard 2007: 11-13).

William Rainey Harper, the first president of the University of Chicago, was the most eloquent and powerful proponent for the engagement of universities with their cities and communities. He helped Chicago become perhaps the greatest university at the turn of the last century by acting on the premise that involvement with the city, particularly its schools, would powerfully advance faculty research and student learning. The idea that universities can and should play a central role in improving urban life motivated Julian Levy’s work at the University of Chicago in the 1950s and ‘60s, which is a source of some of the ideas and approaches developed and implemented over the past 15 years (Harkavy et al. 2009: 148).

The idea that universities have the potential to be powerful resources for solving highly complex urban problems is also longstanding, inspiring both Paul Ylvisaker's speech in 1958, calling for the development of urban experiment stations modeled after the work of agricultural land grants, and Robert Wood's plan for Urban Observatories. Under the leadership of John Gardner, the U.S. Department of Health, Education, and Welfare provided hundreds of millions of dollars, as did the Ford Foundation, to universities to develop projects and programs with their cities and communities. Unfortunately, these funds did not produce the desired result. Treating urban engagement as a mere add on, colleges and universities applied little, if any, effort into changing their core teaching and research functions. They resisted making the internal changes needed to work effectively with government, foundations, and other organizations and contribute to the improvement of their local communities and cities. The crisis of the American city also had not yet caught up to urban universities (Harkavy et al. 2009: 148-149).

By the 1990s, however, universities were increasingly unable to avoid the problems of their local ecological communities, including crime, violence, and physical deterioration. A compelling intellectual case (developed in the 1990s by Derek Bok, Ernest Boyer, and John Gardner, among others) for university engagement began to have a powerful impact on a number of faculty and some college and university presidents. That argument, simply stated, is that universities, particularly urban universities, would better fulfill their core academic functions, including advancing knowledge and learning, if they focused on improving conditions in their cities and local communities. When Secretary of HUD Henry Cisneros created the Office of University Partnerships in 1994, he explicitly emphasized that universities were a crucial resource for improving America's cities and that universities would significantly benefit from serious engagement with the problems of their environment. In response, the Department of Housing and Urban Development established the Office of University Partnerships in July 1994 (Cisneros 1995).

These efforts have impacted universities, but universities are not the only institutions affected. Hospitals, too, are increasingly thinking of themselves as economic anchors. For example, a 2007 American Hospital Association report titled Beyond Health Care noted that, "Hospitals regularly rank among the top 10 employers in large urban areas such as Boston, New York and Detroit. In Cleveland, the two largest hospital systems are the top two employers and together employ more than 43,000 workers. In Washington State, hospitals employ more workers than Microsoft or Boeing" (AHA 2007a: 3).

There is also a growing recognition that the future of anchor institutions is intertwined with their communities and cities. Anchor institutions, "by reason of mission, invested capital, or relationships to customers or employees, are geographically tied to a certain location" (Webber and Karlstrom 2009). Therefore, today they play a crucial role in the economic vitality and competitiveness of their cities and surrounding regions. They have become increasingly more strategic in leveraging assets, partnering with the private sector, and generally supporting broader community and economic development activities. Across the country, anchor institutions are the largest employers in their cities and also fuel local economies through construction dollars and the purchase of goods and services.

Anchor institutions have also come to an increasing recognition that by helping to solve real-world problems—problems that are universal but manifested locally (substandard housing, inadequate healthcare, unequal schooling)—they can advance their core missions of research, teaching, and service. Universities, in particular, possess enormous human resources, play a leading role in developing and transmitting new discoveries and educating societal leaders, and basically shape the schooling system (Bok 1990, Boyer 1994).

There are also some important external trends that are providing new incentives for anchors to focus their economic activity locally. Among these are:

- Growing concerns about climate change that have resulted in a new environmental sensitivity within the higher education and health care sectors. This, in turn, has motivated many institutions to think newly about local purchasing (which requires less transportation and offsets carbon emissions) as an environmentally friendly practice.

- Sensitivity to the fragility of national transportation and communication systems, as evidenced by disasters such as the Japanese earthquake and tsunami, Hurricane Katrina, the 2003 power outage that impacted much of the northeast, and the terrorist attack of September 11. Hospitals, in particular, are increasingly coming to terms with the need to localize purchasing and warehousing as a hedge against these types of disruptions.

- Increasing pressures from city governments to enact payments in lieu of taxes (PILOT) on large nonprofit institutions that utilize municipal services without paying local taxes to support them. As a 2010 Lincoln Institute of Land Policy report noted, "In recent years, local government revenue pressures have led to heightened interest in PILOTs, and over the last decade they have been used in at least 117 municipalities in at least 18 states. Large cities collecting PILOTs include Baltimore, Boston, Philadelphia, and Pittsburgh" (Kenyon and Langley 2010: 2). Demonstrating a commitment to local economic development through measures such as those discussed in this paper is one powerful way to reduce these pressures.

Innovative and Promising Strategies

A growing number of hospitals and universities are implementing innovative and promising anchor institution strategies. In 2002, a study by CEOs for Cities and the Initiative for a Competitive Inner City identified a number of community economic development roles that anchor institutions can play. These include roles as a purchaser, employer, real estate developer, workforce developer, incubator, and network builder (CEOs for Cities and ICIC 2002: 37). To this list, one might also add investor as an additional key role an anchor institution can play, particularly by leveraging their (often sizeable) endowments, as well as money already on deposit at financial institutions.

In the area of leveraging employment, Henry Ford Hospital in Detroit has incentivized managers to hire locally, with 7 percent of senior executives' bonuses linked to achieving defined diversity goals. As part of its new procurement practices, Henry Ford also has implemented a policy of paying local vendors one month in advance to provide working capital. In 2010, Henry Ford entered into a partnership with Detroit Medical Center and Wayne State University to increase their local impact through the "Live Local, Buy Local, Hire Local" initiative. The early impact has been modest, just $400,000 in purchasing redirected to local businesses. But given the hospital’s $2 billion procurement budget, long-term potential impact is sizeable (ICIC 2010).

Another hospital that has a longer history of implementing an anchor institution strategy is Sinai Health System in Chicago. Sinai, through its Sinai Community Institute (SCI), has helped develop the North Lawndale Employment Network (NLEN) (Chicago), a partnership of community-based organizations, economic development agencies, and businesses working together to meet the workforce development needs of North Lawndale residents and employers. SCI also served as the NLEN fiscal agent, provided office space to the network, and the SCI executive director served as NLEN's board chair until NLEN received its own 501(c)(3) status. NLEN has since sponsored the creation of Sweet Beginnings, LLC, a social enterprise, "green" urban honey business selling mainly at local farmers markets, which incorporated in 2006 and employed 74 people as of 2008. By 2010, 170 people total had worked for the business. The recidivism rate for these employees is only 4% (Kauper-Brown and Seifer 2006, Palms Barber 2010).

Sinai also has used its role as real estate developer to improve the surrounding community. In particular, Sinai led the renovation of a brownfield site, the Hollenbach Sausage Factory. After the company moved in the early 1980s, the factory sat vacant for almost a decade until Sinai Health System purchased and completed a $7 million renovation on the 12,000 square foot building, which now houses the Center for Families and Neighbors, a human services center operated by Sinai that has a childcare center, open and flexible offices for case managers, a secure mental health facility, and a 350-seat meeting room for community use. In addition, Sinai partnered with the City of Chicago's Affordable Housing program to develop

20 units of moderate income housing for purchase on lots owned by Sinai and donated to the project (Kauper-Brown and Seifer 2006).

Catholic Healthcare West (CHW), a large San Francisco-based hospital nonprofit, illustrates the potential for an anchor institution to leverage capital to make community investments. Catholic Healthcare West's Community Investment Program provides below-market interest rate loans to nonprofit organizations that develop affordable housing for low-income families and seniors, provide job training for unemployed or underemployed persons, and create wealth in low-income and minority neighborhoods. Between 1992 and 2006, CHW lent more than $49 million to 88 different nonprofit organizations. As of 2006, 61 percent of those loans had been repaid, with slightly more than $19 million outstanding. In addition, CHW has made a total of seven loan guarantees amounting to more than $23 million. Two examples of these investments include: 1) Stocktonians Taking Action to Neutralize Drugs (STAND), Stockton, CA, which received a line of credit not to exceed $500,000 to purchase and rehabilitate houses in the south and east side neighborhoods of Stockton for low-income, first-time homebuyers; and 2) The Northern California Community Loan Fund, San Francisco CDFI, which received a loan of $500,000 for their revolving loan fund (Kauper-Brown and Seifer 2006).

Gundersen Lutheran, a Wisconsin-based health care system, has also developed an anchor institution strategy that combines real estate development, purchasing power, and financial investments to support local community economic development. Among its actions to date, Gundersen Lutheran has converted a historic brew-house into workforce housing; is a founding member of a multi-stakeholder food cooperative to prevent wealth from leaving regional farmers; leveraged TIF (tax increment financing) dollars to rehab area housing; created a system where waste bio-gas discharged from City Brewery's waste treatment process is turned into electricity and used to offset 5 percent of the electricity used by the hospital; and purchased a stake in LHI, a health management company, to enable the company to take back local control and save local jobs (Dubb and Sparks: forthcoming).

Interest in local procurement is spreading. Lee Patridge, who is the head of Medical Supply Purchasing at Emory Midtown Hospital, located in Atlanta, noted that, "If we can develop within the inner city, where they can actually employ and insure through the company employees who would normally come through our emergency room – that's a benefit for the state, city, feds, and Emory. The majority of people who visit our residents are folks who do not have jobs or insurance. It also helps the environment … we're a community hospital downtown. We have to be involved" (Patridge 2011).

Bill Schamm of Henry Ford Hospital in Detroit noted that his hospital aims to shift its supply chain to support local purchasing too. Henry Ford Hospital, Schramm noted, purchases "upwards of $100 million a year of medical surgical supplies, most of which right now is funneled through two large distributors. We're looking at consolidating that; in particular, looking at consolidating it into a single vendor that also is a primary source for the medical center. The intention would be that with that significance of a buyer to be in a position to insist that they relocate part of their strategic development into the city of Detroit" (Schramm 2011).

Dave McCombs, head of purchasing of the Bon Secours hospital chain, detailed a similar effort to promote local purchasing. "We think the opportunity is about 9 or 10 percent of our expenditure. That is really what we think is the opportunity of available, existing, certified vendors. So now we have a destination we are getting to … and obviously when you have that in place, you can create some momentum" (McCombs 2011).

Above, we have focused on hospitals, but even more impressive examples exist at universities, the place where the anchor institution movement originally developed. One of the best known is the University of Pennsylvania's purchasing program. Through a commitment to "economic inclusion," the university has shifted 10 percent of its annual purchasing toward local vendors within a defined geographic area, thereby injecting over $94.8 million into West Philadelphia's depressed economy. The university's real estate investments have helped create an appealing retail environment in the vicinity of the campus. The university has also given local residents better access to university-related construction and permanent jobs (Axelroth and Dubb 2010: 130-131).

The University of Cincinnati has played a leading role in leveraging its endowment for community investment. From 2003 through 2009, the University committed a total of $148.6 million out of its $833 million endowment to finance real estate development in Uptown. Money invested is lent out to support community economic development at a below-market 4 percent interest rate. Monica Rimai, former Senior Vice President of Finance and Administration, explained "Of course there has been some questioning, in these difficult financial times, 'Should we have done this?' But I believe that universities, by design, are in it for the long haul, and they have to take a long-term view of all their investments. This is particularly true at an urban institution" (Axelroth and Dubb 2010: 143-145, quote on page 143).

LeMoyne-Owen College, a small historically black college in Memphis, Tennessee, illustrates the ability of even smaller anchor institutions to impact their community. Here the college has chartered a community development corporation, which in turn has used small federal grants to leverage millions of dollars in additional public and private investments, financing projects such as an $11.5 million, mixed-used Towne Center (Alexroth and Dubb 2010:145-147). Remarkably, LeMoyne-Owen College has seen its surrounding neighborhood's per capita income increase from $8,000 to $13,500 over the past 10 years (Axelroth and Dubb 2010: 41).

The University of Minnesota exceeded a 30 percent women- and minority-owned business target for the $2.1 million renovation of their new Urban Research and Outreach/Engagement Center, and Portland State's

Business Outreach Program has assisted more than 400 small and emerging businesses to develop as well as create 150 new jobs between 2006 and 2009 (Axelroth and Dubb 2010: 41).

The Evergreen Cooperatives of Cleveland, Ohio

The Evergreen Cooperatives is an initiative in which The Democracy Collaborative has been a partner since 2007. We believe the principles behind Evergreen may have much broader applicability to anchor institution practice. Already, the "Cleveland model" — as many have come to label the effort – has spread beyond Cleveland, with efforts now gathering early momentum in places as diverse as: Amherst, Mass.; Amarillo, Tex.; Atlanta, Ga; Pittsburgh, Pa.; Richmond, Calif.; and Washington, D.C.

The Evergreen Cooperative Initiative is centered in Cleveland's University Circle area, home to many of the city's wealthiest and most important "anchor institutions" that are a legacy of the city's industrial past. These include, for example, the Cleveland Clinic, Case Western Reserve University, the University Hospitals, the Veterans Administration Medical Center, and numerous cultural organizations. Together, they employ more than 50,000 people and represent one of the leading "economic engines" of Northeast Ohio.

Yet the neighborhoods (Glenville, Hough, Fairfax, Buckeye/Shaker, Little Italy, and the eastern portion of East Cleveland) surrounding these multi-billion dollar institutions are among the most disadvantaged in the city Annual median household income in the area is low, and there is a paucity of retail and service outlets, as well as many other amenities. Unemployment is high, educational attainment low, housing is distressed, and relatively few job opportunities exist within the neighborhoods. Individual families are in general asset poor, as are the neighborhoods as a whole.

In 2005, the Cleveland Foundation catalyzed a partnership of Cleveland's major anchors, community-based organizations, and other civic leaders to form the Greater University Circle Initiative. Over time, the Initiative has become a comprehensive community building and development strategy designed to transform Greater University Circle by breaking down barriers between institutions and neighborhoods. The goal of this anchor-based effort is to stabilize and revitalize the neighborhoods of Greater University Circle (GUC) and similar areas of Cleveland.

The Initiative works on a number of fronts: New transportation projects and transit-oriented commercial development are being implemented; an Employer-Assisted Housing program open to all employees of area nonprofits is encouraging people to move back into the city's neighborhoods; an education transformation plan has been developed in partnership with the city government; community engagement and outreach efforts are promoting resident involvement. The most recent strategic development has been the launch in 2007 of an economic inclusion program known as the Evergreen Cooperative Initiative.

The Evergreen Cooperative Initiative's audacious goal is to spur an economic breakthrough in Cleveland by creating living wage jobs and asset building opportunities in six low-income neighborhoods (43,000 residents with a median household income below $18,500) in the Greater University Circle area. Rather than a trickle down strategy, Evergreen focuses on economic inclusion and building a local economy from the ground up. Rather than offering public subsidy to induce corporations to bring what are often low-wage jobs into the city, the Evergreen strategy is catalyzing new businesses that are owned by their employees. Rather than concentrate on workforce training for employment opportunities that are largely unavailable to low-skill and low-income workers, the Evergreen Initiative first creates the jobs, and then recruits and trains local residents to take them.

While drawing on precedents and experience gained in cities around the country, it represents a powerful mechanism to bring together anchor institution economic power to create widely shared and owned assets and capital in low-income neighborhoods. It creates green jobs that not only pay a decent wage and benefits, but also, unlike most green job efforts, build assets and wealth for employees through ownership mechanisms.

Although still in its early stages of implementation, the Evergreen Cooperative Initiative is already drawing substantial support, including multi-million dollar financial investments from the federal government (particularly HUD) and from major institutional players in Cleveland.

The Evergreen Cooperative Initiative is based on a vision of "community wealth building." Community wealth strategies seek to improve the ability of communities and individuals to increase asset ownership, anchor jobs locally, strengthen the municipal tax base, prevent financial resources from "leaking out" of the area, and ensure local economic stability.

The strategic pillars on which the Initiative is built are: 1) leveraging a portion of the multi-billion dollar annual business expenditures of anchor institutions into the surrounding neighborhoods; 2) establishing a robust network of Evergreen Cooperative enterprises based on community wealth building and ownership models designed to service these institutional needs; 3) building on the growing momentum to create environmentally sustainable energy and green collar jobs (and, concurrently, support area anchor institutions in achieving their own environmental goals to shrink their carbon footprints); 4) linking the entire effort to expanding sectors of the economy (e.g., health and sustainable energy) that are recipients of large-scale public investment; and 5) developing the financing and management capacities that can take this effort to scale (that is, to move beyond a few boutique projects or models to have significant municipal impact).

The near-term goal (over the next three to five years) of the Evergreen Cooperative Initiative is to catalyze the creation of up to 10 new for-profit, worker-owned cooperatives based in the Greater University Circle neighborhoods of Cleveland. Together, these 10 businesses will employ approximately 500 residents of six low-income neighborhoods. Each business will be designed as the greenest within its sector in northeast Ohio. Our financial projections indicate that after approximately eight years, a typical Evergreen worker-owner will possess an equity stake in their company of about $65,000. The longer-term objective is to produce 5,000 new direct jobs for Clevelanders over the next 10 to 15 years. The ultimate goal is to stabilize and revitalize Greater University Circle's neighborhoods.

Because the first businesses were only opened in 2009, it is far too early to calculate the true cost per job, as the business development effort still remains in very early stages. Nonetheless, some (very) rough estimates can be made. One goal of the project is to generate 500 jobs in 10 worker-owned cooperatives by 2016. The cost of the project from the lead funder, The Cleveland Foundation, has been, very roughly speaking, on the order of $500,000 a year, plus a one-time $3 million grant to seed the creation of the Evergreen Cooperative Development Fund, which then functions as a revolving loan fund that provides deeply subordinated debt by making 20-year, 1 percent-interest loans to finance Evergreen businesses. So, if 500 jobs indeed result through this effort by 2016, a rough estimate of project expenditures (even with treating the $3 million for the loan fund as pure subsidy) would be $8 million or $16,000 per job. If only half this goal is achieved or only 250 jobs by 2016 (a fairly conservative estimate, given existing trends), then the cost would be $32,000 per job, a not inconsiderable sum, but significantly lower than conventional economic development job attraction tax abatement packages, some of which exceed $100,000, $200,000, or even $300,000 per job (LeRoy 2005: 34-37).

The Cleveland Foundation is not the only source of project funding. Rather, its seed funding leverages other investments. Each business to date has been capitalized by a blended mix of low-cost loans (such as HUD section 108) and various tax credit programs, such as New Markets Tax Credits (Capital Institute 2011). One would have to make complicated assumptions regarding future interest rates to determine the "net present value" of these loans and credits. Still, even including these costs, the net per-job cost is considerably less than if the businesses received tax abatements, for which, unlike loans, the public receives no repayment.

The first two businesses – the Evergreen Cooperative Laundry (ECL) and Ohio Cooperative Solar (OCS) – launched in October 2009:

- ECL is the greenest commercial-scale health care bed linen laundry in Ohio. When working at full capacity, it will clean 10 to 12 million pounds of health care linen a year, and will employ 50 residents of GUC neighborhoods.

- Ohio Cooperative Solar is a community-based clean energy and weatherization company that will ultimately employ as many as 75 residents. In addition to home weatherization, OCS installs, owns, and maintains large-scale solar generators (panels) on the roofs of the city's biggest nonprofit health and education buildings. The institutions, in turn, purchase the generated electricity from OCS over a 15-year period. Within three years, OCS likely will have more than doubled the total installed solar in the entire State of Ohio.

A third business, Green City Growers (GCG), will launch in the coming months. Green City Growers will be a year-round, large-scale food production hydroponic greenhouse. The greenhouse will be sited on 10 acres in the heart of Cleveland, with 3.25 acres under glass (making it the largest urban food production facility in America). GCG will produce approximately three million heads of lettuce per year, along with several hundred thousand pounds of basil and other herbs. GCG will employ approximately 35 people. Construction on the greenhouse began in September 2011 and the first green leafy vegetables will be harvested in the summer of 2012.

Beyond these three specific businesses, the Evergreen Cooperative Corporation acts as a research-and-development vehicle for new business creation tied to specific needs of area anchor institutions. Through this process, a pipeline of next generation businesses has been developed.

What this entails is having anchors work closely with Evergreen to co-design new business and job opportunities that meet their needs for goods and services. In short, rather than simply transfer spending from a non-local business to a local firm, the idea is to generate new value creation. An example of this is with the recycling of the medical waste stream. In many segments, a "market" for medical waste stream recycling does not exist. Working with Evergreen's business design team, hospital officials are able to co-develop new businesses, thereby achieving a number of goals, simultaneously, including increasing hospital operation efficiency, improving the environment, building living wage jobs, generating employee-owner wealth, and stabilizing local neighborhoods.

Seen in this way, an anchor institution strategy like the one in Cleveland can be a powerful job creation engine, not simply by localizing production, but also by forging a local business development strategy that effectively meets many of the anchor institutions' own needs, which the existing market may not be equipped to handle. Or, put more succinctly, anchor institutions have the potential to not only support local job creation, but also to shape local markets.

A central element of the Evergreen strategy has been to work closely with Cleveland's largest anchors (in particular, the Cleveland Clinic, University Hospitals, and Case Western Reserve University) to devise ways in which their business decisions, particularly procurement, could be focused to produce greater neighborhood and citywide benefit. This has resulted in the identification of a large number of new business opportunities that can be developed within the community. The potential here is enormous: The city's three largest anchors alone purchase an aggregate of more than $3 billion in goods and services annually. Until recently, little of this "spend" has been targeted locally.

Targeted local procurement is beginning to take shape in Cleveland, as some institutions, such as University Hospitals, have built upon their engagement in the Evergreen Cooperatives Initiative to revisit their entire supply chain. Steve Standley, Chief Administrative Officer at University Hospital, noted in a 2011 interview that University Hospital had "essentially doubled the spending in Cleveland in the last three years … doubled the spend in northeast Ohio" (Standley 2011).

An illustration of this commitment to local procurement is shown by how University Hospitals implemented its five-year strategic growth plan, called Vision 2010. The most visible feature of Vision 2010 was new construction of five major facilities, as well as outpatient health centers and expansion of a number of other facilities. Total cost of the plan was $1.2 billion, of which about $750 million was in construction.

In implementing Vision 2010, University Hospitals (UH) made a decision to intentionally target and leverage its expenditures to directly benefit the residents of Cleveland and the overall economy of northeast Ohio. For example, Vision 2010 included diversity goals (minority and female business targets were set and monitored), procurement of products and services offered by local companies, hiring of local residents, and other targeted initiatives. These goals were linked both to the construction phase and the ongoing operation of the new facilities once opened.

Specific Vision 2010 expenditure targets included:

- 5 percent of contractors working on Vision 2010 projects were to be female-owned businesses;
- 15 percent of contractors were to be minority-owned businesses;
- 20 percent of all workers on Vision 2010-related projects were to be residents of the City of Cleveland; and
- 80 percent of businesses that received contracts were to be locally based companies.

Over the five-year course of the initiative, UH exceeded all of these targets except for the residency goal. In particular, as a result of this effort, UH developed business relations with more than 100 minority- and female-owned businesses, virtually none of whom had previously participated in UH construction projects. More than 90 percent of all businesses that participated in Vision 2010 were locally based, far exceeding the 80 percent target.

Because the model explicitly sought to multiply the effect of the Vision 2010 expenditures through localizing procurement in northeast Ohio, its impact is anticipated to be long term. In addition, subsequent to the completion of the Vision 2010 project, UH has now committed to integrate the same metrics related to diversity and localizing its purchasing to its entire supply chain on an ongoing business. That is, to source at a minimum 80percent of its entire supply chain (which is approximately $850 million on an annual basis) to companies based and owned in northeast Ohio, thus expanding employment and the multiplier effect.

As an example of how an anchor institution can focus its business practices to produce lasting economic benefit for local communities, Vision 2010 represents an important model for hospitals and other types of anchor institutions across the country.

Challenges and Limits of Anchor Institution Strategies

While anchor-based job creation and wealth-building strategies have achieved some impressive results around the country, many anchor institution engagement strategies—particularly those with large development agendas—have also produced mixed results. The University of Pennsylvania's creation and support of the Penn Alexander School, for example, achieved its desired result of high achievement for local students and attraction of Penn-affiliated families to live in the local community. Real estate values have skyrocketed, however, which has displaced some of the families that once lived in the area. The University of Cincinnati has also displaced residents and small business owners through its commercial and real estate development; to combat such consequences, they have helped acquire façade improvement grants for existing businesses as well as provided subsidized rental space (Axelroth and Dubb 2010: 45).

Indeed, many anchor institution leaders are asking critical questions about institutionalization, accountability, and the true impacts on those most in need. David Cox, Executive Assistant to the President at the University of Memphis and former Director of the Office of University Partnerships for the U.S. Department of Housing and Urban Development (1998–99) contends that, "We need agreed upon metrics and accountability. People write up what they are doing and get great PR [public relations] coverage. But you have to read it with a grain of salt. We need to get beyond that" (Axelroth and Dubb 2010: 24).

Elizabeth Hollander, Senior Fellow at Tufts University and former Executive Director of Campus Compact, highlights the challenge of avoiding pushing poor people out of neighborhoods: "In thinking about the university role in improving a community without gentrifying it, it's hard to do, no matter who you are. When university and city government are equally committed, then chances are improved. Most of where this work is right now, is people being proud of doing anything at all—we too easily slide over true wealth development and the true impact on residents" (Axelroth and Dubb 2010: 24).

Hollander's comments highlight the risk that anchor institution strategies may improve the quality of life in target neighborhoods, but without markedly improving the welfare of long-time neighborhood residents—frequently low-income and people of color—some of whom may move out of the neighborhoods due to increased rental values or rising property taxes. In short, absent provision up front to maintain mixed-income neighborhoods (through such means as inclusionary zoning, community land trusts, and/or a broader policy commitment to mixed-income development), anchor institution strategies bear the risk of promoting, albeit without intending to, gentrification and less-diverse communities.

There is also a second, perhaps more subtle, risk — namely, a failure to achieve an appropriate balance institution-wide between technology transfer and "health technology" development on the one hand, and work that improves the welfare of low-income communities, on the other. Simply put, anchor institutions, if they solely focus their capital investment on developing jobs with educational requirements beyond the reach of most area residents, might inadvertently contribute to and deepen a growing U.S. class divide. As Congressional Budget Office data affirm, from 1979 to 2007 the share of U.S. after-tax income of the top one percent of Americans more than doubled from 7.5 percent of total income to 17.1 percent, while the share going to the bottom 80 percent fell from 58 percent to 48 percent. A conscious decision to defy this trend requires universities to generate jobs and wealth specifically designated for community members at the lower end of the socioeconomic scale. In short, anchor institutions, in developing their strategies to improve the conditions in distressed communities, must recognize that they are often in the position of "swimming upstream" (Sherman and Stone 2010: 3).

Beyond these broad general risks, there are a number of challenges that any institution that seeks to develop an anchor institution strategy faces. In particular, these include: 1) creating an engaged community; 2) establishing partnership programs and goals; 3) institutionalizing an anchor vision; 4) securing funding and leveraging resources; 5) building a culture of economic inclusion; and 6) sustaining participatory planning and robust community relationships.

Regarding the first goal, a key challenge is defining what the anchor institution chooses to consider its "community." Some anchor institutions view their community as solely the people within the boundaries of their institution. Others see themselves within a broader community—for many urban institutions, a community of poverty and blight—one with which they may or may not choose to engage.

For anchors that have taken the view that they are within and part of their surrounding community, tactics still vary. The historical relationship between the institution and the community plays a key role in the approach to engagement. Some anchors engage in community development in response to crisis, such as violent crimes or blight in the neighborhood surrounding the campus. Some strategically focus on neighborhood-level impacts while others look to impact regional development. Some do both. Syracuse University, for example, has taken on the entire City of Syracuse as its community while still focusing on revitalization of two local neighborhoods. Not all urban anchor institutions are immediately surrounded by poverty, of course. In cases in which an anchor institution is surrounded by wealthy or middle-class neighborhoods, the institution can choose whether to focus their partnership efforts on relations with their immediate neighbors or to invest at least some level of focused resources in a targeted neighborhood that is not directly adjacent, but is in greater need of the resources and relationships that an anchor institution can provide (Axelroth and Dubb 2010: 34-35).

A second challenge is creating actual partnership programs to meet institutional goals. As the University of Pennsylvania's Anchor Institutions Toolkit suggests, anchors may want to conduct a risks-and-benefits analysis when evaluating potential strategies and projects (Sharpe 2008: 104). In the most collaborative approaches, community residents and other key stakeholders are involved in these assessments and at all stages of the planning process to collectively identify goals and activities that will mutually benefit the community and the institution.

A third challenge is one of institutionalizing an anchor institution vision. For an anchor institution to develop effective strategies, there are no substitutes for high-level administrative support. University presidents and hospital CEOs, in particular, set the institution's vision and priorities, as well as its budget. When these leaders support anchor institution strategies—beyond rhetoric—partnerships work more effectively, more efficiently, and achieve greater impact. As a 2002 Urban Institute report regarding universities stated, "The president or chancellor plays a major role in setting the institution's priorities and establishing it budget. Leadership at this level is the only efficient way to mobilize resources and support for community outreach and partnerships from across all the major divisions of the academic institution." (Vidal et al. 2002: 5-8, 5-9).

A fourth challenge is one of funding anchor institution programs on a recurring basis. While federal, foundation, and donor dollars have supported many anchor institution programs, internal funds are essential for sustained anchor institution work. Endowment and operating fund allocations are two ways to leverage anchor institution assets for community development. For universities, this typically involves annual expenditures to campus partnership centers and programs that are also helping to advance educational missions of research, teaching, and learning. For hospitals, this investment often involves centers and programs that also help advance public health. "Can community benefits be more highly leveraged to create community wealth and health?" asks Margaret O'Bryon, head of the Consumer Health Foundation. "We know," she adds, "that socioeconomic factors influence health. The tie has to be made more strongly," O'Bryon adds (O'Bryon 2011).

In many cases, implementing a successful anchor institution strategy involves substantial capital expenditure, as well as ongoing operating funds. Internal support must also be matched with external funding. Anchor institutions focused on real estate development, in particular, have been able to leverage funding through Tax Increment Financing, New Market Tax Credits, revenue bonds, standard commercial loans, and other sources. Some anchor institutions have helped form nonprofit organizations that operate as independent entities but remain closely associated with the institution. This allows not only for the organization to attract funding using the anchor institution's name but also to avoid bureaucratic and other restrictions that may exist on central administered hospital or university funds (Dixon and Roche 2005: 272-273).

A fifth challenge is cultural. Similar to the differing interpretations of community, anchor institutions view their role in promoting economic inclusion in various ways. For some institutions, providing access to higher education (for universities) or health care (for hospitals) is their primary vision—and perhaps greatest potential—for providing economic opportunity. This is particularly true of institutions such as community colleges or county general hospitals whose core mission has a direct impact on meeting the education or health care needs of those of limited incomes.

Other anchor institutions try to impact community economic development in a more direct way. As Stephen Viederman claims in an essay entitled, "Can Universities Contribute to Sustainable Development," "Most efforts at social change are, in effect, ameliorative: they seek to remedy immediate problems, but do not deal with root causes." (Viederman 2006: 26). However, a growing range of strategies has emerged in the past 15 years to begin to directly and systemically address such issues and create greater economic opportunity for local residents. Particular promise can be seen in efforts that leverage economic resources, such as the dedication of purchasing and contracting dollars, employment practices, training and technical assistance, investment, and real estate development toward community economic development.

One last key challenge to underline is the need to build relationships and trust among anchor institution and community partners. As anchor institution movement leader David Maurrasse wryly comments, "If the historical relationship has been contentious, it takes even more time" (Maurrasse 2001: 184). Rachel Weber, Nik Theodore, and Charles Hoch of the University of Illinois at Chicago note that the key step is to ensure that "partners comprehend the interest, intentions, and capabilities of each partner. It does not mean that all information is disclosed indiscriminately (which, in fact, may constitute a dereliction of fiduciary duty), but rather that information be relevant, actionable, and delivered on a timely basis." (Weber et al. 2005: 288).

Community buy-in is essential, prior to and during implementation. Back in 1969, urban planner Sherry Arnstein wrote the classic journal article, published in the Journal of the American Planning Association, on what constitutes effective, as opposed to token, participation in decision making. In Arnstein's eight-step ladder, the level of community participation in decision making can range, theoretically, from "manipulation" at the lowest rung of the ladder to full citizen control at the top of the ladder. Later scholars have modified the rungs of the ladder, but the basic concept that partnership depends not just on the number of meetings, but also on how decisions are made in those meetings, remains. (Arnstein 1969: 216-224).

Ziona Austrian and Jill Norton's analysis of university real estate development holds true for many anchor institution initiatives: "The extent to which community groups can affect the development process is partly a function of their sophistication. Well-organized groups with highly skilled leaders are better able to exert pressure and more equipped to negotiate." (Austrian and Norton 2005: 212).

In this vein, a small but growing number of anchor institution leaders are recognizing and respecting the value of resident and community knowledge, which helps to break down some of these power structures. According to Harry Boyte, Founder and Co-Director of the Center for Democracy and Citizenship at Augsburg College, the "main obstacle to genuine and productive partnerships" between anchor institutions and their communities is a "'knowledge war,' full of invisible hierarchies and exclusions" that dramatically limits their capacity to solve neighborhood (and greater societal) problems (Boyte 2009: 1).

Building an Anchor Institution Vision: Creating an Integrated Strategy

If America's universities and hospitals were a country, they would have a GDP of over $1 trillion, greater than the entire GDP of Mexico. An obvious question is: How might the inherent economic power and the inevitable anchoring of these institutions be leveraged into significant action on behalf of America's communities? Many thoughtful individuals who have sought to engage anchor institutions in community-building activities have come away skeptical that this can be achieved. Even today, far too few institutions as yet assign value to community-based work. And virtually everywhere, core funding for anchor institution work has been difficult to secure.

On the other hand, although engagement is not central to anchor institutions priorities, in our experience it is also not contradictory of their priorities. There are simply few incentives, as yet, to achieve significant movement. In our judgment, many anchor institutions could move forward if properly assisted—and if given the incentive to do so. Further, if new activities are undertaken in the right spirit (for instance, in close consultation and partnership with the community), a university president or hospital CEO can win accolades and support from trustees, the community, and, in the case of state institutions, from the governor and legislature. Some have even found it assists them in general fund raising.

One obstacle has been the idea that such efforts deviate from the education mission of higher education or the health mission of hospitals. Fortunately, a new and deeper understanding of the educational importance of engagement and of the relationship of community well-being to health is rapidly emerging. The emergence of this understanding—and, further, the related understanding that anchor institutions cannot thrive if surrounded by a sea of poverty, disinvestment, dilapidated housing, and other signs of a failing social structure—has become an increasingly important element in reducing internal academic resistance to community engagement strategies.

Since the mid-1980s, an expanding movement within higher education has been attempting to make universities more relevant and responsive to the communities and states in which they are located. More than 500 university presidents have signed the "Presidents' Declaration on the Civic Responsibility of Higher Education" committing themselves "to helping catalyze and lead a national movement to reinvigorate the public purposes and civic mission of higher education." With national support from Campus Compact (an organization with a membership of more than 1,000 universities), a range of student service learning, community-based research, and community outreach programs have flowed from this declaration in recent years. For example, from 1998 to 2004 the percentage of students on Campus Compact member campuses involved in community-based service learning has increased from 10 to 30 percent, representing an estimated annual value of volunteer labor in excess of $5.6 billion (Dubb and Howard 2007: 7, 38-41, 51-55).

These trends are less pervasive in the hospital industry, but are growing, albeit with a focus on "community health" rather than "civic responsibility." A November 2007 report from the American Hospital Association, for example, argued that:

- "Hospitals should understand their communities' unique health needs and work with others in the community to meet those needs.

- Hospitals should periodically conduct a community needs assessment and assign responsibility for the hospital's community benefit plan to a hospital employee.

- Hospitals should have ongoing processes for planning and monitoring how their commitment to community health is met through services and programs for the community.

- Hospitals should develop and make readily available to the public a comprehensive inventory of all the community programs and services offered, including specialty services, extended care, and programs that address social and basic needs, access, coverage, and quality of life" (AHA 2007b: 1-7).

Environmental sustainability has also become an increasing priority for hospitals and universities. Among higher education leaders, to date, 674 university presidents have signed a pledge to reduce carbon emissions (ACUPCC 2011). In the hospital industry, a similar movement is under way. Begun in 1998, Hospitals for a Healthy Environment (now Practice Greenhealth) grew to bring together the American Hospital Association, the American Nurses Association, the nonprofit group Health Care Without Harm, and the Environmental Protection Agency with activities focused on pollution prevention and toxics minimization. By 2006, the program had 1,342 Partners representing 7,148 health care facilities including 1,604 hospitals, 3,674 clinics, 912 nursing homes, and 958 other types of facilities (Practice Greenhealth 2011). Hospitals are also putting increasing effort into reducing carbon emissions. For example, more than 350 hospitals nationally have committed themselves to "work with local farmers, community-based organizations and food suppliers to increase the availability of locally-sourced food" as part of a "healthy food in healthcare" pledge (HCWH 2011).

Although such activities are of major importance, the fact is few efforts have made a significant impact on local issues of poverty, health, housing, and crime. At the same time, a range of new university strategies, experiments, and models that incorporate a strong economic dimension have emerged in a number of locales. These innovative strategies begin to point toward something of potentially far greater systemic impact.

Some of these strategies derive from a sense of necessity in cases where the institution is located in a poor and often crime-threatened community. But others do not. While no institution has come close to developing a comprehensive model, attempts to leverage the economic engines of universities and hospitals demonstrate the potential impact anchored institutions could have on the flow of resources to help revitalize local communities.

The impact an integrated strategy might achieve over time cannot properly be gauged by focusing on anchor institutions alone. A key matter is the nexus of funders, state governments, and the federal government, and how these can bring about sweeping policy changes to provide new incentives. In fact, the vision of an engaged anchor institution —one with its sleeves rolled up, working in partnership with its local community to solve real-life problems—has a long and proud history, thanks in large measure to federal policy.

The land-grant tradition, highlighted above, is by no means the only precedent. There are many other examples of how the direction and practices of higher education and hospitals have been significantly influenced by federal and state legislation, private funders (including both corporations and foundations), and social movements.

The Servicemen's Readjustment Act of 1944 put higher education within the reach of millions of veterans of World War II and later military conflicts. Though elite universities initially opposed this federal program to open up college access, the G.I. Bill succeeded in dramatically expanding enrollment. Not coincidentally—indeed by explicit intent—by providing returning G.I.'s with four years of academic training, this legislation played an important part in preventing mass unemployment after World War II (Dubb and Howard 2007: 14-17).

A second example, of more recent origin, is the passage of the Bayh-Dole bill in 1980, through which Congress transferred patent rights to universities to encourage technological development. As a result, patents issued to universities increased from 250 a year in 1980 to 3,000 a year by 2000. This has produced university-supported technology transfer activities of $40 billion, an estimated 270,000 new jobs, and the increasing commercialization of higher education research (which some academic critics of the policy contend has led to bias in scientific findings and tilted universities toward profit-making projects rather than fundamental discoveries) (Dubb and Howard 2007: 21-23).

An even more recent example – this one affecting hospitals— is the passage of the Obama administration-sponsored health care law in 2010, the Affordable Care Act. This law will influence hospital behavior in many ways, including with respect to community economic development, in particular due to a provision (Section 907) that requires nonprofit hospitals to conduct a community needs assessment and report on how they are meeting those needs. As Marsha Willis at the Hilltop Institute explains, the Act requires a community engagement and needs assessment to develop community priorities. If it addresses that, and is somehow related to health, then it counts. For example, "if you're talking about a hospital in an economically depressed area, and you can show that poverty and lack of playgrounds and all that is a determinate of health," then a hospital could satisfy its community benefits requirement through investing in community economic development that addresses poverty and recreation access issues (Willis 2011).

What is implicit in the above record—or should be—is that universities and hospitals do not decide what they should do on their own. Whether through legislation, as the above examples detail, or prodded by philanthropic initiative, as with the example of Evergreen in Cleveland, universities and hospitals are permeable institutions whose direction can be altered through concerted action.

In the area of federal policy, a number of steps can be taken, many of which were detailed in a 2010 report that we wrote (supported by the Annie E. Casey Foundation) titled Rebuilding America's Communities: A Comprehensive Community Wealth Building Federal Policy Proposal (Alperovitz et al. 2010). One simple step would be to expand the existing Historically Underutilized Business Zone (HUBZone) program, which targets federal contracts, to help small businesses that are located in distressed areas gain access to Defense Department and other federal procurement dollars, and extend the reach of the program to cover the procurement tenders of hospitals and universities (both of which are significant recipients of federal grant dollars). From a baseline of $44 million in FY 2000, federal contracts let out under this program increased to $1.76 billion by FY 2007 (Beale and Deas 2008: i-iii). If federal contractors can be incentivized to locate businesses in low-income communities, surely universities and hospitals, which receive billions in federal grant dollars, could also do so.

Another step that could to be taken on the regulation side would be to further amend the reporting requirements on Schedule H (community benefit). These were already amended in the course of the 2010 health care legislation to require reporting of local community economic development efforts, including targeted procurement, on the annual Form 990 that all nonprofit institutions must complete annually. If such work were made to “count” as a community benefit, hospitals would be greatly encouraged to take greater advantage of their procurement targeting capacity to improve local community economic development outcomes.

Note that health care expenditures, which were 17.6 percent of GDP as of 2009, are projected to climb to 19.3 percent of GDP by 2019 (CMS 2012). Education expenditures are in the 3 percent range. These are sectors where public policy could obviously impact and help shift large-scale funding flows to metropolitan areas—specifically and preferentially, to anchor institutions utilizing procurement and related institution-building to stabilize jobs. Incentives or regulations, or combinations of both, could help induce hospitals and universities that depend in significant part on direct and indirect public funding to target procurement to their own areas.

In addition to regulatory changes as noted above, on the incentive side as well there are a number of steps that could be taken to promote greater targeted procurement by anchor institutions. For example, this could include government programs that provide grant dollars that encourage anchor institution participation in local community economic development partnerships, much as federal support of the National Community Development Initiative (now Living Cities) helped spawn rapid expansion of community development corporations in the 1990s (Alperovitz et al. 2010).

More broadly, a number of steps could be taken to implement the recommendation of the Anchor Institution Task Force, made to the U.S. Department of Housing and Urban Development in 2009. As detailed in that report, “an Anchor Institution Program Division” could be created to “coordinate universities, medical centers, hospitals, cultural institutions and other place-based anchors to leverage their economic power for community benefit” (Harkavy et al. 2009: 151-158). Such a department (whether placed in HUD or some other federal agency) would be well positioned to create a learning network that could:

- Develop a series of field-specific national and regional trainings to disseminate best practices, with training conducted by experts in the field.

- Issue grants to develop effective written “tools” for different aspects of anchor-led community economic development and make those tools publicly available.

- Identify key target outcomes for anchor community economic development work and track results annually. Conduct rigorous external evaluations of program outcomes.

- On a biennial basis, hold a meeting of CEOs and/or presidents of grantees to share results and ensure the high-level commitment needed to make the Network a success.

Additional low-cost steps that the federal government could take in this area include creating fellowship staff positions in regional offices, as the Obama administration has done with its "Strong Cities, Strong Communities" program (Barnes 2011); creating awards programs to recognize outstanding local and regional anchor institution partnerships, and hosting a White House Summit on Anchor Institution Strategies (Harkavy et al. 2009).

One further step that could be taken toward this objective would be to create a pilot program that would foster anchor institution community economic development by distributing competitive grants to anchor institution community coalitions that meet the following criteria: 1) clear objectives in terms of local investment, local purchasing, hiring in low-income communities, business incubation, green job development, and wealth creation; 2) clear delineation of how economic development objectives will connect with core institutional programs – e.g., education for universities and health care for hospitals; 3) indication of institutional support at the CEO/presidential level and of a commitment of internal funds and in-kind support; 4) evidence of state and local government support; 5) inclusion of community development corporation and other local community groups in the development of goals and objectives; and 6) clear metrics to track the impact anchor institution investments in community building have over time (Harkavy et al. 2009: 160).

Given that there are many precedents that demonstrate how public and private funding can help shape the priorities and agendas of anchor institutions, the question becomes: How might we develop and systematically further a comprehensive longer-term engagement strategy aimed at building upon both the public policy precedents and the emerging anchor institution experience? How, specifically, might a sophisticated approach gain leverage so that existing anchor institution resources could be steadily deployed in new ways and so that additional public and private resources might be developed?

Moving forward, we believe that a "saturation strategy," a systematic attempt to shift the procurement and investment of many diverse anchor institutions not simply in one neighborhood, but as a coordinated and integrated multi-targeted strategy for a municipal area as a whole, holds tremendous promise.

In theory, combining the direct jobs that focused procurement and investment might help achieve – and adding in the multiplier effects – could sustain a very significant portion of a target area's economic activity. "Buy local" and other strategies could further enhance these multipliers. In our judgment, it would be possible to reach a very substantial share of the jobs of a city both directly and indirectly through a serious coordinated refocusing of procurement, investment, and other aspects of anchor economic power.

Further Directions for Research and Experimentation

Although the Evergreen job creation and wealth building model is still at an early stage of development, we believe it points toward a promising new strategy for local job creation.

Consider the following: Cleveland's three largest anchors alone purchase an aggregate of more than $3 billion in goods and services annually. In northeast Ohio alone, there are 62 hospitals, over 200 nursing and retirement homes, more than 20 universities and colleges, municipal and county governments, a public power utility, the port authority, a rapid transit authority, and a robust network of homegrown philanthropies. In addition to their procurement budgets, many of these local anchor institutions have significant, multi-billion dollar endowments that are not currently invested in ways that benefit the region.

Many of these anchors, if brought into focused alignment with local economic development goals, could achieve a significant metropolitan-wide economic development impact. University Hospitals, for example, has already initiated a complementary supply chain-attraction strategy, which will award contracts to businesses that relocate into a newly designated "Health Tech Corridor" in the heart of Cleveland. UH also intends to shift 80 percent of its procurement spending to northeast Ohio, with carve-outs for the City of Cleveland and the specific neighborhoods adjacent to its main campus in University Circle.

A systematic attempt to shift the procurement needs of these institutions not simply in one neighborhood—but as a coordinated and integrated multi-targeted strategy for the municipal area as a whole—could increase the leverage and potential power of these institutions to create jobs and stabilize the local tax base. In our judgment, it would be possible to reach a very substantial share of the jobs of the city both directly and indirectly through a serious, coordinated refocusing of procurement. If so, such a strategy would be a powerful complement to other important metropolitan-wide strategic initiatives such as those being promoted by the Obama administration, and those underway led by groups such as Living Cities and the Brookings Institution.

The above does not take account related spin-off and multiplier effects. If procurement were significantly targeted to achieve the kinds of anchored, shared-ownership enterprises being developed in the current Cleveland model, it would also provide the basis for stronger locally focused multiplier effects in connection with other private and cooperative businesses.

It is clear that techniques for doing this efficiently (and at competitive prices)—e.g. as in the Cleveland case and through the University of Pennsylvania's West Philadelphia Initiative—are now well understood and could be further perfected as time goes on. In addition, local government could ramp up its procurement considerably, given experience accumulating in other communities.

The past five years of work we have conducted with Evergreen in Cleveland have led us to conclude that such wealth building efforts applied in numerous sites simultaneously could potentially be scaled up in this way to become an important element in a municipal-wide community and economic development strategy.

In addition to the need for supportive policy and on-the-ground practitioner activity, there is also significant room for additional research. One way to advance such research might be to conduct in-depth studies in three cities to assess the economic viability of metropolitan-wide coordinated wealth building strategies that would seek to test the ability to utilize anchor institution-linked strategies to generate jobs and wealth for low- and moderate-income residents. For this research effort, we would suggest focusing on three distinct types of cities—a weak market/rust belt city (e.g., Cleveland, Detroit, Baltimore, Buffalo); a "progressive"/strong market city (Portland, Seattle); and an "in-between" city that is not severely burdened by a declining industrial base, but in which rising industries have established only a moderate presence, leading to an economy with a mixture of weakness and strength. Such cities might include places like Atlanta, Dallas, Minneapolis, Providence, and Philadelphia.

These studies would drill down into each selected city to answer the question: How could we move a significant percentage of anchor institution (broadly defined, including "eds and meds," cultural institutions, city and county government, locally based businesses, etc.) economic activity into a coordinated multi-targeted municipal procurement, investment, and employment strategy?

The exploratory study would seek to quantify how many local jobs would be created for each $1 million of targeted procurement. In a 10-year period, could, for example, 10,000 new jobs (or 20,000 or 50,000) be created in a city like Cleveland or Detroit or Baltimore that is now the site of disinvestment and escalating job loss? How many new small and mid-size businesses could be attracted to a city if it was known that comprehensive wealth building was the centerpiece of the city's economic development strategy? How can this be done in a way that buttresses the nation to meet national economic goals?

The goal would be to assemble the data so as to judge what could be achieved, what difficulties would need to be overcome, what tools would need to be refined, how costs and benefits might most appropriately be estimated, and how best to proceed if such a strategy were attempted (e.g., where and how to begin, appropriate timelines, development targets). A further goal would be to assess the possibility of using more limited multi-targeting in specific quadrants of the metropolitan area, rather than aim for the entire city. Another option might be to proceed in stages, working through large targeted quadrants in sequence.

Conclusion

In our view, the field of anchor institution-facilitated community wealth building holds considerable promise for local job creation. The specific building blocks are now available in isolated but successful experiments around the nation. We believe cities across the country could be on the verge of an important new vision of what might be possible in terms of rebuilding a local economy. The time, we are convinced, is ripe to launch a more concerted effort — both in the realms of practice and research — to tap into the still largely untapped economic engine of America's public and nonprofit universities, hospitals, and other anchors. Given the growing needs of America's communities in the wake of the foreclosure crisis and our high unemployment economy ushered in by the "Great Recession," the need for such experiment and innovation in community wealth building strategies has never been greater.

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[1] Steve Dubb is Research Director and Ted Howard is the Executive Director of The Democracy Collaborative.

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About the Big Ideas for Job Creation Project

Big Ideas for Job Creation, a project of the Institute for Research on Labor and Employment at the University of California, Berkeley, with the support of The Annie E. Casey Foundation, tapped into the innovative thinking of leading experts across the nation to develop job creation proposals. Every idea had to meet the following criteria: designed for implementation by cities and/or states and will lead to net new job creation in the short-term; practical, sustainable, scalable and already tested; and all jobs created should be accessible for low-skilled workers and offer some career opportunity. Taken together, these Big Ideas can create millions of new jobs for our country.